



# County of Fairfax, Virginia

To protect and enrich the quality of life for the people, neighborhoods and diverse communities of Fairfax County.

February 27, 2006

Honorable Board of Supervisors  
County of Fairfax  
Fairfax, Virginia

Chairman and Board Members:

I am pleased to transmit to the Board of Supervisors and the citizens of Fairfax County my budget proposal for Fiscal Year 2007, which totals \$5,489,306,631, including General Fund Disbursements of \$3,182,514,316, a 2.74 percent increase over the *FY 2006 Revised Budget Plan*. In addition, Direct General Fund Expenditures total \$1,166,552,092 and reflect an increase of 3.88 percent over the *FY 2006 Revised Budget Plan*. The FY 2007 Advertised Budget Plan is balanced and has been prepared in accordance with the Board of Supervisors' Budget Guidelines.

The Board's Guidelines for FY 2007 budget development represented a shift from previous directives. In response to significant and sustained increases in real estate assessments, the Board set a percentage-based spending growth limit for both Fairfax County Public Schools and the County, rather than allowing growth to match forecasted increases in revenue. This limit in spending is intended to provide for ongoing requirements for both organizations, while mitigating the impact of real property tax increases on homeowners. The policy change was in recognition of the nature of revenue growth in recent years, where low interest rates and strong job growth resulted in a red-hot housing market, increasing housing values and subsequently, property tax assessments. In order to decrease the impact on taxpayers, the Board of Supervisors reduced the tax rate a total of 23 cents from FY 2003 through FY 2006. My proposed budget includes an additional 7-cent reduction, from \$1.00 per \$100 of assessed value to \$0.93, the lowest rate in recent County history.

As part of the FY 2007 guidelines, the Board instructed the Fairfax County Public Schools to prepare a request that does not exceed a 6 percent increase in the County transfer. I was likewise directed to prepare a budget that limits the increase in County spending to 5 percent, excluding new facilities, our Metro contribution, and required County and School debt service payments. My proposed budget is in conformance with these guidelines.

## **BOARD OF SUPERVISORS' PRIORITIES**

- Strong investment in education
- Public safety and gang prevention
- Affordable housing
- Environmental protection
- Transportation improvements
- Revenue diversification to reduce the burden on homeowners

I believe this budget represents a fiscally sound approach to addressing the Board's Priorities (see adjacent box), as well as our countywide Core Purpose and Vision Elements (see next page) to ensure the sustainability of the quality of life that residents and businesses both cite as reasons they were drawn to and remain in Fairfax County. In working within the guidelines, I have had to prioritize agency requests and limit funding increases to those associated with continued operations and new facilities. However, the robust revenue growth projected for FY 2007 does allow flexibility should the Board of Supervisors decide to reduce the Real Estate Tax rate further and/or provide additional funding for specific initiatives.

The budget I am proposing enables us to continue to support our strategic priorities and build for the future – both figuratively and literally. With so many worldwide events over the past year underscoring the suddenness and severity with which disasters strike, I cannot emphasize enough the importance of creating and sustaining a strong community infrastructure. In this, I include the traditional concept of facilities and institutions, as well as resources such as financial and human capital, and the less tangible concept of community spirit, which provides strength in times of serious adversity. If we are able to maintain this community infrastructure, we will then be better able to withstand the impact of a disaster – manmade or natural. Central to this strong community is a sound local government with appropriate resources and reserves, as well as robust institutions and services. I believe the steps previously taken by the Board and further advanced by my budget recommendations build on and enhance the infrastructure needed to take Fairfax County into the future. My objective was to balance the need for tax relief with the opportunities for investment that are currently available to us. The budget I am proposing is intended to keep Fairfax County on solid footing for the future with regard to both the quality of life we currently enjoy, in addition to ensuring that we remain a vibrant community able to withstand stormy weather, meteorological and otherwise.

#### COUNTY CORE PURPOSE

*To protect and enrich the quality of life for the people, neighborhoods, and diverse communities of Fairfax County by:*

- Maintaining Safe and Caring Communities
- Building Livable Spaces
- Practicing Environmental Stewardship
- Connecting People and Places
- Creating a Culture of Engagement
- Maintaining Healthy Economies
- Exercising Corporate Stewardship

As part of building this community infrastructure, my approach to this year's budget development required a careful and comprehensive look at resources and requirements for both FY 2006 and FY 2007. The continued strength of economic activity experienced in the latter part of 2005 and thus far in 2006 points to higher FY 2006 receipts than anticipated. These resources, along with the funding available in FY 2007, provide an opportunity to address important, fundamental requirements that will enable us to position the County for future challenges. As such, I will address my recommendations for allocating the additional FY 2006 revenue as part of these budget recommendations.

Healthy revenue growth in the current fiscal year will allow us to address some critical unmet needs, as well as exercise fiscal prudence for the future. As part of the balance projected for the *FY 2006 Third Quarter Review*, I will be recommending that the Board use a portion to fully fund the Revenue Stabilization Fund (RSF). This is the reserve that the Board created in addition to the Managed Reserve, which is two percent of General Fund Disbursements. The intent of the Board in establishing the RSF was to provide a reserve at a level sufficient to permit orderly adjustment to changes resulting from sudden, drastic curtailment of revenue. Use of the RSF is only intended for times of severe economic stress. The target level for this reserve is three percent of total General Fund Disbursements in any given fiscal year. While Board policy has been to allocate a minimum of 40 percent of non-recurring balances identified at quarterly reviews to the RSF, we have only been able to fund it at \$62.7 million, or less than 70 percent of its target through the *FY 2005 Carryover Review*. In FY 2006, three percent requires an RSF balance of \$92.9 million. To fully fund the RSF would require an additional \$30.2 million. Current year revenue provides the opportunity to bring this reserve up to its target.

The importance of having such a reserve was reinforced this past fall when we saw the devastating impact that Hurricanes Katrina and Rita had on the Gulf Coast, and particularly in the City of New Orleans area where over half of the municipal workforce and virtually all of the 7,000 school district employees were laid off, with most services suspended. A lack of adequate reserves made these draconian steps unavoidable. To restore its tax base, New Orleans must attract residents back to the city. However, with little existing tax base, the city cannot provide the basic services needed. The availability of a rainy day fund in Jefferson Parish's largest city of Kenner (population 70,000)

has been credited with helping that city recover from the disaster since it was able to meet its payroll and provide essential services more quickly than other surrounding communities. In times of crisis, residents look to government – at the federal, state and local levels – to meet their needs. By fully funding the County's RSF as part of the *FY 2006 Third Quarter Review*, we are fortifying the foundation for future County services should a catastrophe of similar proportion befall our region.

Based on the many other challenges we face in terms of population growth, particularly among those age 65 and older, as well as increased public safety requirements that recognize the reality of the 21<sup>st</sup> Century, we are literally building for the future when we invest in facilities such as the Public Safety and Transportation Operations Center (PSTOC) which will be the hub of the County's 911 and emergency response, as well as new fire stations, School-Age Child Care (SACC) centers, and the expansion of the Courthouse, among other capital improvements. Mortar and bricks play a large part in this budget; however, shaping the future involves much more than just buildings. It requires people and programs to provide the necessary services. This budget recognizes the importance of taking a multi-year approach to meeting County needs. While we find ourselves in a relatively healthy period of revenue growth, we cannot assume that trend will continue. It is not a matter of 'if' the good times will end, but 'when?' Therefore, this budget has been prepared in such a way that it enables us to invest resources to meet our strategic priorities, while not over-committing revenue that would require significant retrenchment when economic conditions result in much lower revenue growth.

This budget also recognizes the impact of rising assessments on the homeowner. For the sixth consecutive year, average residential real estate assessments have increased by double-digits. This is consistent with the experience of other jurisdictions in the Metropolitan Washington area where most have seen average increases of close to 20 percent. Arlington County has already announced that the average value of residential properties in that jurisdiction rose over 18 percent this past year, while Loudoun County has seen an astounding increase of 28 percent. In Fairfax County, the Real Estate Tax base is projected to increase 22.70 percent and is comprised of a 19.76 percent increase in total equalization (the reassessment of existing residential and non-residential properties) and new construction of 2.94 percent. The good news is that non-residential equalization grew by 16.64 percent, compared to 12.74 percent in FY 2006. Residential equalization, however, continues to lead with a 20.57 percent increase, although it is down from 23.09 percent in FY 2006. In the past few years, growth in the residential base was the primary, and often the only source of funding for increasing County service requirements.

My proposed budget includes a significant cut of 7 cents in the Real Estate Tax rate, which reduces it from \$1.00 to \$0.93 per \$100 of assessed value and results in a savings of \$378.52 to the typical homeowner compared to the FY 2006 rate. However, even with this rate cut, the typical homeowner will still see an increase of \$544.03 or 12.1 percent over FY 2006 due to the assessment increase.

Despite the robust revenue growth, adherence to the Board's Budget Guidelines means that there are still considerable unmet needs. A total of 373 positions were requested by County agencies, which were given very restrictive guidance regarding additional staffing. The majority of these requests were well-justified and would enhance the level of service to citizens. However, in order to stay within the 5 percent cap, I was only able to support those positions associated with public safety and new facilities, as well as just 9 others for a total increase of 156 new positions. As I noted previously, we must be careful not to over-commit revenue as the current rate of growth is not likely to be sustainable. The following sections on the economy and state budget provide additional perspective for this approach.

## THE ECONOMY AND REVENUE

My proposed budget relies on projected revenue growth of \$269.3 million or 8.8 percent. Unlike recent years when rising real estate assessments accounted for nearly all revenue growth, we are seeing the favorable impact of the improving economy. This revenue growth is consistent with factors influencing the national, regional and local economies. It is important to note, however, that real estate revenue still accounts for over 77 percent of total revenue growth. The following sections summarize developments in the economy at the national, state, regional and local levels.

### ***The National Economy***

Characterizing the national economy over the past year has been difficult due to the up and down nature of many key indicators. The contradictory nature of various indicators is giving many economists sleepless nights. This can be seen in the following factors that either directly or indirectly influence the County's budget for FY 2007.

Consumer confidence took a big hit after Hurricane Katrina decimated the Gulf Coast in late August. According to the Conference Board, the Consumer Confidence Index, based on a representative sample of 5,000 U.S. households, fell to 98.3 in November 2005. It had registered 105.5 in August. Nevertheless, it rebounded to 103.8 in December and rose again in January to 106.3, its highest level since June 2002. Consumers' outlook for the next six months is more subdued, however. Those expecting business conditions to worsen increased to 10.5 percent from 9.1 percent, while those expecting business conditions to improve declined to 17.7 percent from 18.4 percent. Global tensions in Iraq and elsewhere are again driving up oil prices, which is also likely to temper consumers' confidence.

The national economy, as measured by real Growth in Gross Domestic Product (GDP) rose 3.5 percent in 2005, down from 4.2 percent in 2004, according to data released by the U.S. Department of Labor's Bureau of Economic Analysis. It is anticipated that fourth quarter GDP will be weakened somewhat by the impact of the major 2005 hurricanes and the drop-off in car sales after peaking over the summer as a result of special deals. However, inflation-adjusted consumer spending in November showed its strongest gain since July and holiday sales appear to have been healthy. In addition, the national unemployment rate for December 2005 decreased to 4.9 percent from 5.0 percent in November. Current forecasts are that GDP will slip to approximately 3 percent in 2006.

Inflation hit a five-year high of 3.4 percent in 2005, reflecting higher prices for fuel oil, gasoline, natural gas and electricity. However, core inflation, which excludes energy and food products, rose just 2.2 percent, suggesting that most businesses did not pass higher energy costs onto consumers by raising prices of other goods and services. Concern by the Federal Reserve that the economy may be close to overheating has resulted in the central bank gradually raising the target federal funds rate from 1 percent in June 2004 to 4.5 percent as of January 31, 2006. This marked the 14<sup>th</sup> consecutive quarter-percentage point increase since June 2004, and many analysts predict that the Fed will raise the benchmark rate at least once more, to 4.75 percent on March 28, 2006, the first meeting to be led by new Chairman, Ben S. Bernanke.

However, it is important to note that long-term bond yields are still below where they were when the Fed started to raise short-term rates, causing some economists concern that an inverted yield curve could signal an impending recession. Normally, long-term rates are greater than short-term rates. An upside-down pattern has historically meant that the bond market expects the Fed to start cutting interest rates at some point in the near future in order to stimulate a weakening economy. Some believe this could account for the low bond yields despite the Fed's 14 quarter-point rate hikes over the past year and half. An inverted yield curve has preceded the last five recessions. Yet it also occurred in 1995 and 1998, with no recession to show for it. Nevertheless, it raises the possibility that the economy could be vulnerable to a slowdown.

## ***The State Economy and Budget***

From coast to coast, state revenues are growing better than expected. Billion-dollar surpluses are welcome news for states after the economic downturn of 2001 forced them to close \$264 billion in budget gaps according to the National Association of State Budget Officers (NASBO). With the federal government expected to run up a record deficit of approximately \$400 billion for the fifth straight year, states have done what Washington could or would not do – cut programs, while increasing taxes, tuition bills and other user fees. The result has been a dramatic reversal in most of the 50 states. A survey by the National Conference of State Legislatures in November 2005 found that 48 states – all but Rhode Island and Louisiana – expect revenues to improve or at least remain stable for the next fiscal year. A similar survey in November 2002 showed that 38 states were anticipating a decrease in revenues.

Virginia and Maryland budget data reflect the national trend. Maryland's tax revenues have increased \$1.4 billion over the past three years, the biggest jump in state history. Virginia also ran up record revenues in 2005, leaving the state with a surplus of approximately \$1.8 billion. Nevertheless, years of budget cuts have created pent-up demand in a wide range of areas, from road improvements to school construction and corrections. States are also facing skyrocketing costs associated with Medicaid, the federal/state health insurance program for 52 million poor and disabled Americans. Capitalizing on recent revenue improvements, states are also putting money back into their rainy day funds.

The Commonwealth of Virginia is a prime example of rainy day fund replenishment. During the 2002 session, Governor Warner and the General Assembly closed a \$3.8 billion shortfall, yet still faced a pending \$6.0 billion deficit. Through use of the Rainy Day Fund, as well as a series of revenue increases and expenditure decreases, the Commonwealth was able to get its fiscal house in order and maintained its Triple A rating from all three bond rating agencies, one of only six states to achieve that rating. As Governor Warner noted, "...even with an economic recovery, states that did not address their underlying financial problems have been summarily downgraded – including three former Triple A states." The Commonwealth ended FY 2005 with a revenue surplus of \$544 million. General Fund revenue grew 14.8 percent, 4.1 percent over the mid-session forecast. Acknowledging that revenue growth of this magnitude is unsustainable, Governor Warner cautioned against using the revenue surplus to start new programs with ongoing commitments. Most of the state's surplus, \$402 million, will be set aside to meet a constitutionally required deposit to the state's Revenue Stabilization Fund (RSF). With this deposit, the state RSF will total approximately \$1.1 billion, close to the maximum level set by the Virginia Constitution.

Since taking office, newly elected Governor Tim Kaine emphasized that the Commonwealth must work diligently to meet its obligations to K-12 education, as well as strive to be a reliable partner in fully funding the Standards of Quality. In his inaugural address on January 14, 2006, he noted the growing challenge in reforming Medicaid funding, which after education, now represents the single biggest general fund program in state government that must be managed in order to control expenditures, without curbing access to services needed by poor and disabled Virginians. In recognizing the growing burden of property taxes, Governor Kaine stated that the Commonwealth should not pass unfunded mandates off on local governments and pledged to reject legislation that imposes new fiscal burdens which can be met only by increasing local property tax bills. He also indicated support for an amendment allowing cities and counties to exempt up to 20 percent of the value of an owner-occupied home from the Real Estate Tax bill, upon terms and conditions determined at the local level. The area that received the most attention in his address, however, was transportation. After holding 11 meetings with Virginians throughout the Commonwealth, Governor Kaine is proposing a number of transportation-related initiatives that will restrict the use of transportation funds for that purpose, better link land use decisions with transportation infrastructure, and identify long-term funding sources for transportation.

### ***The Regional and Local Economies***

The region's economy continues to be bolstered by rising federal procurement. According to Dr. Stephen Fuller, Director of George Mason University's Center for Regional Analysis, federal procurement in the region rose \$15 billion over the last two years. This boom in federal defense and technology spending helped create an estimated 82,000 jobs in the Metro area in 2005, the highest of all metro areas in the country. The center's forecast projects that while the Washington area will continue to outpace the rest of the country, with an increase of 75,000 jobs projected for 2006, the rate of job growth will move closer to the region's 10-year average of about 2 percent compared to almost 3 percent in 2005.

Regional economic growth is also anticipated to slow slightly from about 4.2 percent in 2005 to approximately 4.0 percent in the coming year as federal spending increases moderate. When presenting this forecast in January 2006, Dr. Fuller tempered his remarks with a cautionary note about the high cost of housing, which presents a challenge to businesses trying to recruit workers to the area. In addition, the Base Realignment and Closure (BRAC) process that is projected to bring approximately 20,000 jobs to Fort Belvoir is also anticipated to have an impact on the County's economy, stimulating demand for office space, housing and commercial development in the southeast part of Fairfax County.

Over the past year, the number of employed County residents increased by 25,034 or 4.5 percent. The County's October 2005 unemployment rate of 2.4 percent remained unchanged from the level reported one year earlier. The October 2005 unemployment rate in Virginia was 3.2 percent, which was a slight decrease from the October 2004 level of 3.3 percent. Nationally, the unemployment rate in October was 5.0 percent, down from 5.5 percent the previous year.

The most recent Fairfax County Coincident Index, which represents the current state of the County's economy, decreased to 133.49 in November for a loss of 0.71, extending its seesawing performance that characterized 2005. Compared to November 2004, the Coincident Index was up 3.15 percent, extending the Index's positive trend to a 24<sup>th</sup> consecutive month. The Fairfax County Leading Index, which is designed to forecast the performance of the County's economy nine to twelve months in advance, increased in November to 108.6 for a gain of 1.23 percent, reversing two consecutive monthly losses. These fluctuating data reinforce the belief that we must be cautious about committing too much of current revenue growth to support new initiatives.

### ***FY 2006 County Revenue***

Staff has been closely reviewing FY 2006 revenue receipts to date and has updated projections for the remainder of the fiscal year. As previously indicated to the Board in a memorandum dated December 30, 2005, FY 2006 revenue estimates assume a net increase of approximately \$68 million over the *FY 2006 Revised Budget Plan*, an increase of 2.3 percent. The majority of the increase is due to revenue categories that continue to react positively to improvements in the local and national economies. Revenue from investment interest is up nearly \$24 million more than anticipated as a result of interest rate increases by the Federal Reserve. Recordation Tax/Deed of Conveyance tax collections and Clerk Fees are projected to increase \$17 million over the revised budget plan due to the number and value of home sales and mortgage refinancings in the County. While growth in the number of home sales has slowed, the price of homes has sustained revenue growth in these categories, and mortgage refinancings have not slowed to the extent anticipated. Personal Property and Business, Professional and Occupational Licenses (BPOL) tax collections are strong, up over \$16 million based on vigorous economic activity and robust vehicle sales based on dealer incentives. The remaining \$11 million increase in projected revenue results from economic activity in other categories including Transient Occupancy Tax, Bank Franchise Tax, and Revenue from the Commonwealth and Federal Governments.

Details of these adjustments will be included in the *FY 2006 Third Quarter Review* that will be provided in March 2006 for the Board's consideration.

### ***FY 2007 County Revenue***

FY 2007 General Fund revenues total \$3.32 billion, an 8.8 percent increase over FY 2006. Based on the proposed tax rate reduction of 7 cents, Real Estate Tax receipts are anticipated to increase 11.8 percent and represent 59.6 percent of total revenue. All other revenue categories combined are forecasted to increase a solid 4.8 percent over FY 2006 levels, reflecting the moderate economic growth anticipated in the next fiscal year. In FY 2007, Other Local Taxes, including Sales Tax and Business, Professional and Occupational Licenses (BPOL) taxes account for an increase of \$17.7 million or 6.6 percent of the total increase, while Personal Property Taxes are projected to increase \$30.7 million or 6.2 percent over the *FY 2006 Revised Budget Plan*. The impact of interest rate increases will mainly be realized in FY 2006, but healthy returns are expected to continue into FY 2007 with Interest on Investments projected to increase \$5.6 million or 9.0 percent over the FY 2006 level.

The increase in residential assessments continues to be the focal point of County revenue growth. The FY 2007 Real Estate estimate is based on a 22.70 percent increase in the FY 2007 valuation of real property, reflecting a 19.76 percent increase in equalization and a 2.94 percent increase due to new construction. Not surprisingly, residential equalization contributes the largest component. The combination of strong job growth, a limited supply of homes and historically low interest rates have all contributed to the rise in home prices and as a result, the County's residential equalization increased 20.57 percent in FY 2007. All categories of residential property experienced double-digit increase in value for FY 2007. Since FY 2001, average house values have increased approximately 160 percent from \$208,126 to \$540,746 in FY 2007. A series of tax rate reductions over the last five years has offset a significant portion of this increase.

The FY 2007 increase in the non-residential Real Estate Tax base reflects an increase of 16.64 percent in equalization over the healthy increase of 12.74 experienced in FY 2006. Leasing of office space has remained strong over the past year and the County's overall office vacancy rate declined from 8.6 percent at year-end 2004 to 7.6 percent by mid-year 2005. However, because of the higher increase in residential equalization, the overall Commercial/Industrial percentage of the County's Real Estate Tax base is 17.22 percent in FY 2007, down from 17.36 percent in FY 2006. While this is the sixth consecutive decline, the percentage is stabilizing as the value of commercial properties has increased significantly over the last two years. This is a welcome sign that is needed in order to help reduce the burden on residential taxpayers.

The table on the following page summarizes General Fund Disbursements proposed for FY 2007. Of particular note is the large ending balance of \$201.29 million projected for FY 2007. This reflects the strong revenue growth anticipated to continue into FY 2007, in conjunction with expenditures constrained to meet the Board's Budget Guidelines. The resulting balance is available for a range of needs from compliance with Governmental Accounting Standards Board (GASB) 45 requirements to safety enhancements at bus shelters and bus stops, as well as for the Board's consideration for other unfunded needs or additional tax relief. Details on these various reserve proposals are included later in this budget message.

## Summary General Fund Statement

(in millions of dollars)

	FY 2006 Revised Budget Plan	FY 2007 Advertised Budget Plan	Increase (Decrease) Over Revised	Percent Inc/(Dec) Over Revised
<b>Beginning Balance <sup>1</sup></b>	<b>\$177.53</b>	<b>\$61.95</b>	<b>(\$115.58)</b>	<b>(65.10%)</b>
<b>Revenue <sup>2</sup></b>	<b>\$3,050.16</b>	<b>\$3,319.45</b>	<b>\$269.29</b>	<b>8.83%</b>
<b>Transfers In</b>	<b>\$2.60</b>	<b>\$2.41</b>	<b>(\$0.20)</b>	<b>(7.54%)</b>
<b>Total Available</b>	<b>\$3,230.29</b>	<b>\$3,383.81</b>	<b>\$153.51</b>	<b>4.75%</b>
<b>Direct Expenditures</b>	<b>\$1,123.03</b>	<b>\$1,166.55</b>	<b>\$43.52</b>	<b>3.88%</b>
<b>Transfers Out</b>				
School Transfer <sup>3</sup>	\$1,431.34	\$1,517.22	\$85.88	6.00%
School Debt Service	130.28	142.69	12.41	9.53%
<i>Subtotal Schools</i>	<i>\$1,561.62</i>	<i>\$1,659.91</i>	<i>\$98.29</i>	<i>6.29%</i>
Metro	\$21.32	\$21.32	\$0.00	0.00%
Community Services Board	90.98	96.31	5.33	5.86%
County Transit Systems	24.15	30.70	6.55	27.13%
Capital Paydown	41.11	16.15	(24.96)	(60.72%)
Stormwater Management Program <sup>4</sup>	17.90	0.00	(17.90)	(100.00%)
Penny for Affordable Housing <sup>4</sup>	17.90	0.00	(17.90)	(100.00%)
Information Technology	15.78	16.04	0.26	1.66%
County Debt Service	98.72	112.81	14.09	14.28%
Other Transfers	85.05	62.74	(22.32)	(26.24%)
<i>Subtotal County</i>	<i>\$412.90</i>	<i>\$356.05</i>	<i>(\$56.84)</i>	<i>(13.77%)</i>
<b>Total Transfers Out</b>	<b>\$1,974.52</b>	<b>\$2,015.96</b>	<b>\$41.45</b>	<b>2.10%</b>
<b>Total Disbursements</b>	<b>\$3,097.54</b>	<b>\$3,182.51</b>	<b>\$84.97</b>	<b>2.74%</b>
<b>Ending Balance</b>	<b>\$132.75</b>	<b>\$201.29</b>	<b>\$68.54</b>	<b>51.63%</b>
Less:				
Managed Reserve	\$61.95	\$63.65	\$1.70	2.74%
Reserve for School Replacement Requirements (School Buses, Computers, Hurricane Katrina Related) <sup>5</sup>	\$1.00			
Reserve for Environmental Projects <sup>6</sup>	\$0.50			
Reserve for FY 2006 Third Quarter Review <sup>7</sup>	\$69.30			
FY 2007 Reserve for GASB 45 Requirements <sup>8</sup>		\$10.20		
FY 2007 Reserve for Jennings Courtroom Renovations and Elevator Modifications <sup>8</sup>		\$15.55		
FY 2007 Reserve for Construction Inflation Adjustments <sup>8</sup>		\$12.00		
FY 2007 Reserve for County Entryway Signage Enhancements <sup>8</sup>		\$0.50		
FY 2007 Reserve for Land Acquisition/Facility Opportunities <sup>8</sup>		\$8.00		
FY 2007 Reserve for Critical Board Projects <sup>8</sup>		\$10.00		
FY 2007 Reserve for Safety Enhancements at Bus Shelters and Bus Stops <sup>8</sup>		\$10.00		
FY 2007 Reserve for Capital Renewal Projects <sup>8</sup>		\$11.84		
FY 2007 Reserve for Board Consideration <sup>8</sup>		\$56.85		
Managed Reserve Adjustment if Reserves moved to Disbursements <sup>8</sup>		\$2.70		
<b>Total Available</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	

<sup>1</sup> The FY 2006 Revised Beginning Balance reflects audit adjustments for revenue and expenditures as included in the FY 2005 Comprehensive Annual Financial Report (CAFR). As a result, the FY 2006 Revised beginning balance reflects a net increase in available balance of \$1,347,508 based on an increase of \$1,851,508 in revenue offset by an increase of \$504,000 in expenditure requirements.

<sup>2</sup> FY 2006 Revised Budget Plan revenues reflect an increase of \$67,952,522 based on revised revenue estimates as of November 2005. The FY 2006 Third Quarter Review will contain a detailed explanation of these changes.

<sup>3</sup> In accordance with Board adopted guidelines, the proposed County General Fund transfer for school operations in FY 2007 totals \$1,517,218,089, an increase of \$85,880,269, or 6.00 percent, over the FY 2006 Revised Budget Plan transfer. It should be noted that the actual transfer request approved by the School Board on February 9, 2006 is \$1,557,385,479, an increase of \$126,047,659, or 8.81 percent, over the FY 2006 transfer level.

<sup>4</sup> As part of the FY 2007 Advertised Budget Plan, the approximate value of one penny of the real estate tax rate for both Fund 318, Stormwater Management Program, and Fund 319, The Penny for Affordable Housing Fund, will be reflected as revenue in the funds instead of as a transfer in from the General Fund.

<sup>5</sup> As part of their deliberations on the FY 2005 Carryover Review, the Board of Supervisors identified funding of \$1.0 million to be held in reserve pending Fairfax County Public Schools identification of one-time items such as computer and bus replacement priorities and unexpected costs associated with Hurricane Katrina.

<sup>6</sup> As part of their deliberations on the FY 2005 Carryover Review, the Board of Supervisors identified funding of \$500,000 to be held in reserve for environmental projects pending Board of Supervisors' approval of plans for use of the funds. The list of projects was provided to the Board on September 15, 2005, and the reserve amount of \$500,000 will be appropriated at the FY 2006 Third Quarter Review in accordance with this list.

<sup>7</sup> As part of the FY 2007 Advertised Budget Plan, the County Executive recommends utilizing the \$69.3 million FY 2006 Third Quarter reserve to fully fund the County's Revenue Stabilization Fund and provide funding for previous board actions, protection and maintenance of the County's infrastructure, and new facility requirements. For further details, see the Budget Highlights section in the Overview volume of the FY 2007 Advertised Budget Plan.

<sup>8</sup> As part of the FY 2007 Advertised Budget Plan, the County Executive recommends various reserves to address requirements that could not be funded within the Board adopted guidelines for County growth. These reserves represent opportunities for investment and include funding to begin to address the County's GASB 45 liability, funding for courtroom renovations and elevator replacement at the Jennings building, funding to cover escalation in construction costs for County facilities, funding to implement recommendations regarding safety enhancements at bus shelters and bus stops, and funding to allow the Board of Supervisors to provide additional tax relief or fund consideration item requests.

## SPENDING REQUIREMENTS

There are a number of factors that influenced the prioritization of spending requirements supported in the FY 2007 Advertised Budget Plan. These factors shape the identification and provision of County services now and in the future. Some of these factors, such as our continued commitment to quality education have been a mainstay of Fairfax County and reflect a long-standing budget priority. Others, including the growing urbanization of the County and the need for homeland security enhancements, are more recent challenges that have sometimes taken precedence over other County needs. As noted earlier, events of the past year have reinforced the need to establish and maintain adequate reserves and facilities, as well as ensure stable funding sources for long-term County needs such as stormwater management and affordable housing. Funding the opening of new facilities completes a commitment made to citizens regarding the provision of essential County services. Finally, the cost of doing business in today's world impacts budget development. Inflation, the rising cost of fuel, compensation obligations and our regional responsibilities all contribute to County budget growth. These factors are outlined below, but are followed by a more comprehensive section on funding initiatives for FY 2007 by Board Priorities and County Vision Elements. Additional details are contained in the Budget Highlights section of this volume immediately following this transmittal message.

**Commitment to Quality Education:** As always, the greatest share of the County budget is dedicated to Fairfax County Public Schools (FCPS). The County transfer for operations and debt service makes up over 52 percent of the total County budget. The transfer for School Operations is \$1.5 billion and represents an increase of \$85.9 million or 6.0 percent in accordance with the Board's Budget Guidelines. One-half of all increases in the total County budget over the past few years have been focused on FCPS requirements. Cost drivers such as growth and changes in the student population, steps necessary to comply with federal and state mandates, and the cost of attracting and retaining high-performing teachers have all played a role in the need for increased education funding.

**Urbanization and Homeland Security Pressures:** The increasing urbanization of Fairfax County creates conditions more commonly seen in large cities. In fact, if the County were a city, it would be the 10<sup>th</sup> largest, with a population greater than Atlanta, Boston or Charlotte. Conditions such as homelessness, gangs, neighborhood blight, etc. that are typically associated with inner cities are present in Fairfax County. Our challenge is to find ways to address these conditions before they worsen.

Fairfax County's increasing urban nature, proximity to Washington, D.C. and the homeland security issues inherent in the County's location highlight the need to increase staff and resources for our public safety departments. Additional police patrol staffing at a cost of \$5.6 million, as well as \$3.3 million for the addition of a fourth person on each rescue company are intended to improve response, meet recommended minimum staffing levels and enhance emergency operations. Competitive compensation for public safety personnel is essential if we are to attract and retain trained, talented and professional staff. Salary adjustments totaling \$21.4 million are included for public safety personnel. Likewise, improvements to public health and bioterrorism monitoring and reaction capabilities are necessary at a cost of \$0.7 million given the wide range of threats we face from nature such as pandemics, as well as terrorist cells worldwide.

While for the most part, homelessness remains a hidden problem in Fairfax County, our homeless population totaled almost 2,000 for the past few years according to the Fairfax County Council on Homelessness. In October 2005, the Board of Supervisors endorsed the Council's new strategic plan to end homelessness in 10 years. This plan will be the County's first comprehensive strategy to end homelessness and will emphasize prevention and intervention, as well as ways to provide housing and social services. The Board's dedication of one penny on the Real Estate Tax rate, or \$21.9 million, will assist in this strategy by supporting the preservation of affordable housing.

In another sign of increasing urbanization, zoning and health-related complaints have grown markedly over the past few years and are unlikely to abate, given the continuing trends in aging housing stock, population growth and rising housing costs. Zoning-related complaints increased 22.7 percent from FY 2003 through FY 2005 with no increase in the number of inspectors assigned to respond. To ensure timely and seamless service, funding of \$0.5 million is included for a Combined Community Inspector Program with five cross-trained property maintenance inspectors to address the most commonly lodged complaints relating to residential property maintenance: blight, nuisance conditions and neighborhood tension relating to these conditions.

**Enhancements to County Financial and Facility Resources:** With mortgage rates increasing as a result of the Federal Reserve raising the federal funds rate, the real estate market nationwide and locally is showing signs of slowing. Properties are remaining on the market longer and bidding wars are not as common. Such signs signal a long-awaited cooling that is expected to gradually result in lower assessment increases in future years. While this is welcome news for many, it alerts us to the reality of slowing real estate revenue growth. The Board of Supervisors' cautious approach in recent years to control budget growth and focus available long-term dollars on strategic priorities will need to continue if we are to sustain current programs and services in a period of lower revenue growth.

As part of the FY 2006 Adopted Budget Plan, the Board approved the dedication of the value of one penny on the Real Estate Tax rate each for Affordable Housing and Stormwater Management. In FY 2006, the value of a penny is \$17.9 million. Based on increasing assessments, it will be \$21.9 million for FY 2007, resulting in an increase of \$4.0 million for each of these programs, which have been working aggressively in FY 2006 to develop comprehensive plans for using this revenue to address their respective challenges. On November 21, 2005, the Board of Supervisors endorsed the Overriding and Guiding Principles for The Penny for Affordable Housing Fund. The penny for Stormwater Management will be spent on the County's stormwater system, which includes 1,400 miles of storm drainage conveyance systems, 45,000 stormwater drainage structures, and 1,100 stormwater management ponds, and is strained by an aging infrastructure and rapid urbanization that has occurred over the past 20 years. This, in combination with higher water quality standards that must now be addressed by local governments, requires a significant, multi-year investment in terms of funding and staff resources.

Fully funding the reserve known as the Revenue Stabilization Fund is a necessity that has been recommended as a primary use of FY 2006 revenues. Another fiscal challenge facing Fairfax County is implementation of Government Accounting Standards Board (GASB) Standard 45. This accounting standard requires that non-pension benefits for retirees, such as retiree health care, be shown as an accrued liability in the budget, similar to pension benefits. Rather than using pay-as-you-go for retiree benefits as many local governments currently do, GASB 45 requires that we estimate the future value of such benefits and then calculate an actuarially derived yearly expense to be shown in the budget. Since Fairfax County has annual revenue in excess of \$100 million, we are required to begin to implement GASB 45 by FY 2008. Failure to fund the calculated annual liability may have audit and credit consequences. A preliminary valuation as of January 1, 2005 estimated the County's actuarial accrued liability (excluding the Schools' portion) at approximately \$191 million. Estimates are that approximately \$10 million annually will be required for FY 2007 to begin to address implementation of this standard.

**Opening New Facilities:** Staffing, operating expenses and equipment costs impact budget growth. The book buy for two new libraries, Burke and Oakton, must be completed in FY 2007 to ensure that the facilities open on time. Funding of \$9.3 million is included for maintenance, security and operations staff for the new Courthouse expansion well during FY 2007, as is \$0.3 million for maintenance staff to monitor and oversee systems installment during the construction of the new Public Safety and Transportation Operations Center. Funding of \$0.8 million is provided to staff new School-Age Child Care (SACC) rooms made available as a result of school renovation or

reallocation of space, as well as \$0.1 million for Clinic Room Aides in new schools. Whenever possible, one-time costs, such as initial library book buys, are funded with one-time resources available as part of the *FY 2006 Third Quarter Review*.

**The Cost of Doing Business:** High fuel costs are also having an impact on the County's annual budget. While Fairfax County pays approximately \$0.15 less per gallon than commercial prices as a result of a wholesale purchasing program through the Metropolitan Washington Council of Governments, the impact of rising prices, exacerbated by Hurricanes Katrina and Rita, which reduced production capacity, is projected to be approximately \$5.4 million in FY 2007. Agencies have taken steps to conserve fuel; however, providing basic services will mean that this operating cost will continue to grow as the market drives price increases. Utility costs are also affected and will require an increase of \$0.8 million in the FY 2007 budget. Compensation and benefits increases necessary to meet ongoing obligations, as well as keep our programs relatively competitive also influence budget growth. Non-public safety employees' compensation is projected to increase \$10.8 million as part of the Pay for Performance program. An increase of \$14.8 million is included for fringe benefits such as health insurance, social security and retirement for the County workforce.

### ***Opportunity for Making FY 2006 Investments***

As noted previously, FY 2006 receipts are higher than projected, with additional revenue of approximately \$68 million anticipated. It is imperative that we take advantage of these higher than anticipated revenues to begin to address some critical issues. As the Board is aware, the local economy routinely waxes and wanes, and even though the County is likely to enjoy a healthy economy in FY 2006 and perhaps into FY 2007, we will surely experience economic downturns or other unforeseen events in the future. In addition, the additional revenue can be used to address infrastructure improvements or one-time facilities requirements, as well as a number of adjustments based on previous Board action. Major recommendations on the use of higher FY 2006 revenues are listed below and will be included in the *FY 2006 Third Quarter Review*:

- Fully fund the County's Revenue Stabilization Fund (RSF), which after six years, is still less than 70 percent of the reserve target. Standard and Poor's, in a recent review of Triple AAA counties nationally, found that Fairfax County had the lowest general fund reserves of all AAA-rated counties in the nation. Fully funding the RSF requires an additional \$30.2 million.
- Provide funding for previous Board decisions in the amount of \$7.0 million including adjustments to the County's holiday pay policies, deferred Carryover funding for the Wiehle Avenue/Reston Transportation Study and the Burke Centre Virginia Railway Express trail, the County share for the Child Care Assistance and Referral program to maintain current enrollment levels in the County's subsidized child care program even with the implementation of a waiting list of additional children, and \$1.0 million resulting from the Board's acceptance of the Lorton Arts Foundation's financing plan.
- Finance maintenance and infrastructure improvements based on current requirements in the amount of \$9.0 million. Additional FY 2006 revenues provide an opportunity to address deferred maintenance and capital renewal projects in County facilities, address significant security and safety issues in the County's enterprise data center, and provide emergency funding in the event of HVAC or other large systems failures.
- Allocate funding in support of new facilities in the amount of \$14 million. This includes the second year of the book buy for the new Oakton and Burke libraries, apparatus and equipment for the new Wolf Trap Fire Station, the transitional housing unit component of the new Katherine K. Hanley Homeless Shelter, and stabilization and maintenance requirements based on the County's assumption of the Burkholder and Belle Willard facilities to be transferred from the Schools in FY 2006. The Belle Willard facility provides an ideal, much-needed replacement

site for the County's health laboratory, so funding is recommended in FY 2006 to renovate the site for the relocation of this lab from rented space. In addition, funding is recommended to accommodate the addition of the Dranesville District Supervisor's office as part of the Dolley Madison Library renovation, which will free up essential space for police station expansion where the current office is located.

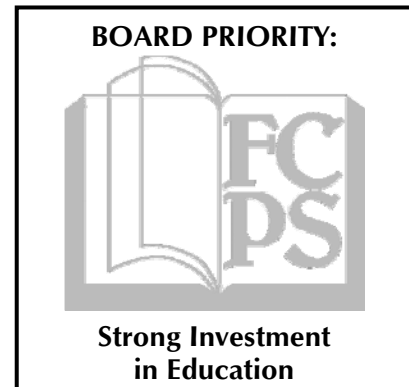
Funding for a number of other one-time organizational requirements including disaster recovery and storage enhancements for the County's information technology systems will be detailed as part of the *FY 2006 Third Quarter Review*.

### ***FY 2007 Disbursements***

In developing recommendations for FY 2007 disbursements, I used the Board of Supervisors' Priorities and the County Vision Elements to guide the strategic allocation of resources. The following is a summary of key funding priorities for FY 2007. Additional details may be found in Volumes 1 and 2 of the FY 2007 Advertised Budget Plan, as well as the Budget Highlights section in this Overview Volume immediately following this section.

### **Support for Education**

The greatest share of the budget is dedicated to Fairfax County Public Schools (FCPS), the transfer for which will increase \$85.88 million or 6.00 percent, from \$1,431.34 million to \$1,517.22 million. However, the School Board's budget request includes an increase in the General Fund Transfer of \$126.05 million or 8.81 percent, which exceeds the Board of Supervisors' 6.00 percent guideline by \$40.17 million. When compared to most other school systems in Virginia, Fairfax County funds a much larger portion of its school budget with local funds. The average school division in Virginia receives approximately half of its financial support from its local government, while County funding comprises three-quarters of FCPS' budget. We will continue to work with the School Board and FCPS staff in a spirit of cooperation in order to maintain our high quality system of public education, while ensuring that we are fiscally responsible. In addition to the operating transfer of \$1,517.22 million, an additional \$142.69 million is included for School Debt Service to fund school construction. This represents over 52 percent of total General Fund Disbursements. The County also provides additional support for the Schools in the amount of \$56.62 million for programs such as Head Start, School Health, School Resource Officers, School Crossing Guards, after-school programming, field maintenance and recreational programs, among others.



All of the major investments in the FY 2007 Advertised Budget Plan are tied to other Board Priorities and County Vision Elements. They are highlighted below and on the following pages.



### **Maintaining Safe and Caring Communities**

\$1.7 million and 8/8.0 SYE positions are associated with the creation of a 7<sup>th</sup> Battalion to ensure appropriate oversight, management and control of the increasing complement of field personnel and will lower the station-to-battalion ratio.

\$3.3 million is for 32/32.0 SYE positions, supplies and equipment associated with the addition of a fourth person to each of the Fire and Rescue Department's rescue companies by allowing crew members the ability to operate in separate teams of two in order to conduct tactical assignments such as forcible entry, primary search and fire attack and to allow for quicker extrication of trapped victims. This is consistent with National Fire Protection Association standards.

\$4.2 million is for the addition of 24/24.0 SYE positions assigned to Patrol to support the County's eight District Police Stations to reduce response times, further develop community policing concepts, engage residents in partnering to reduce crime and conduct officer safety training, as well as provide 5/5.0 SYE Police Lieutenants who will be deployed to provide a 24-hour, 365-day sworn Police presence at the Public Safety Communications Center to serve as a liaison for operational issues as they relate to communication and the deployment of resources for emergency incidents.

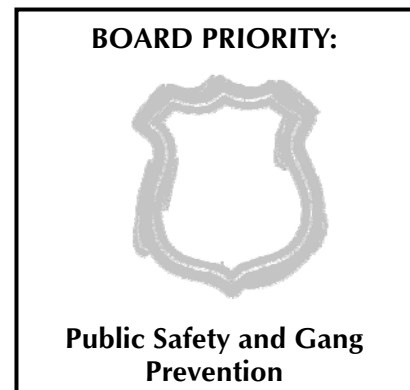
\$0.9 million is for the addition of 6/6.0 SYE positions for the Criminal Investigations Bureau to provide additional investigative support in the areas of fraud/financial crimes and identity theft, organized crime, narcotics, and other investigations as needed including unsolved homicides, rapes, abductions and other sexual predator crimes.

\$0.5 million is recommended for 5/5.0 SYE positions to perform a range of critical functions within the Police Department, including recruitment, Property and Evidence Room management, and information technology support.

\$0.3 million is for the addition of 3/3.0 SYE Animal Control Officers to respond to an increasing number of calls for service that involve animal-related events and have a public safety and health impact, including enforcement of pet licensing and inoculation violations, wildlife and exotic animal calls, firearm permit inspections, and hunting and fishing violations.

\$2.4 million supports the expansion of after-school programming to provide middle school youth with diverse educational, social and recreational opportunities in a supervised environment by expanding services from three days per week to five days per week, a minimum of two hours per day, at Fairfax County middle schools. This funding will allow for full implementation of the program one year earlier than originally anticipated.

\$0.1 million is included to expand the Youth Worker Program, originally initiated in the summer of 2005 in the Falls Church, Baileys and Annandale areas where selected County teens assess and make recommendations for improvement to existing youth services in Fairfax County with specific emphasis on the effectiveness of these services in reaching youth at risk for gang involvement.



\$9.3 million is included for 16/16.0 SYE positions, as well as operating expenses such as moving costs, utilities and courtroom technology, and capital equipment associated with the expansion of the Courthouse anticipated to be complete in April 2007 to consolidate court services, reduce overcrowding, allow after-hour access to some functions, and provide additional courtroom space. Additional positions are required in the Facilities Management Department, the Office of the Sheriff, the Department of Information Technology and the Office of Public Affairs. The additional staff are essential to adequately operate the expanded facility.

\$15.6 million is recommended for a 4.25 percent Market Rate Adjustment for public safety personnel including Police, Sheriff, and Fire and Rescue Department employees to maintain pay competitiveness in the future and avoid the need for large-scale adjustments to catch up with the market.

\$3.4 million will provide a 2.0 percent across-the-board salary adjustment for uniformed Fire and Rescue personnel based on a review of neighboring jurisdictions in order to attract and retain highly qualified staff.

\$2.0 million is provided for merit increments for those public safety employees eligible to receive them based on grade and step.

\$0.4 million is included to adjust shift differential and holiday pay to be more comparable with surrounding jurisdictions in order to enhance recruitment and retention.

\$1.2 million has been included to support the Little River Glen Adult Day Health Care Center and the Braddock Glen Assisted Living Facility to provide an alternative to nursing home placement for adults with disabilities and seniors, as well as respite for family caregivers and offer 60 assisted living units for low and moderate income seniors, enabling them to remain in the County and close to family.

\$0.1 million is for 2/1.27 SYE Clinic Room Aides and operating expenses associated with the opening of West Fairfax Elementary School and increased enrollment at Westfield High School to provide first aid and care to sick and injured students, administer medication, and conduct hearing and vision screenings for students in Fairfax County Public Schools.

\$0.2 million is for 2/2.0 SYE Public Health Nurses II and operating expenses associated with additional Health Department support for the Fairfax County Public Schools in order to reduce the ratio of students to Public Health Nurses from 3,036:1 to 2,895:1 and increase the student health plan completion rate from 36 percent to 62 percent.

\$0.2 million is included for 1/1.0 SYE Management Analyst II and 1/1.0 SYE Community Health Specialist to support the Medical Reserve Corps, a function currently supported by a grant that expires in FY 2006, in order to organize over 3,000 trained volunteers who staff and operate vaccination or medication-dispensing sites across the County should a bioterrorist event, such as anthrax or smallpox, or a naturally occurring epidemic, such as pandemic flu, require such intervention.

\$0.2 million is provided for 1/1.0 SYE Public Health Nurse II and 1/1.0 SYE Community Health Specialist who are associated with the Health Department's Communicable Disease/Epidemiology Program to prevent epidemics and the spread of disease, and to promote and encourage healthy behaviors.

\$0.1 million for 1/1.0 SYE Management Analyst III will provide much-needed capacity for the Health Department to address critical needs including development of a community-wide strategic planning tool known as "Mobilizing Action through Planning and Partnerships;" a pandemic flu plan with isolation and quarantine components; a public health action plan for reversing the upward trend of obesity and overweight individuals in the community; and a strategic review of the school health program.

\$0.2 million is provided for 1/1.0 SYE Environmental Health Specialist II and 1/1.0 SYE Environmental Health Specialist III to provide the industrial hygiene expertise needed to collaborate more effectively with the Fire and Rescue Department to mitigate incidents involving chemical hazards.

\$4.1 million has been included to address higher numbers of children enrolled in the Child Care Assistance and Referral program consistent with FY 2006 requirements.

\$0.8 million is provided for 12/9.72 SYE positions that are associated with opening four new School-Age Child Care rooms at Oak Hill Elementary and the new West Fairfax Elementary School scheduled to open for the 2006-2007 school year.

\$0.2 million has been included for 2/2.0 SYE positions to provide nurse practitioner services in the five homeless shelters located throughout the County.

\$1.2 million, including \$700,000 for operating expenses for six months and \$500,000 in one-time start-up costs, has been included for the Katherine K. Hanley Family Shelter, scheduled to open in April 2007 to provide comprehensive emergency shelter services to approximately 20 homeless families, a majority of whom are children.

\$0.1 million is provided to offset the loss of grant funding for The Enterprise School, the only public/private partnership for alternative schools.

\$0.3 million is included for 7/7.0 SYE positions and operating expenses for the Public Safety and Transportation Operations Center scheduled to open November 2007. This 24 x 7 facility requires 6/6.0 SYE Facilities Management Department positions to staff an Operations and Maintenance satellite shop to address the maintenance and repair needs of the critical mechanical and electrical systems. In addition, 1/1.0 SYE General Manager, the costs of which will be shared by Fairfax County and the Virginia Department of Transportation, will ensure the coordination of facility use and resources.



### **Building Livable Spaces**

\$21.9 million, or the value of one penny on the Real Estate Tax rate, is included in The Penny for Affordable Housing Fund to preserve and create affordable housing opportunities.

\$0.1 million is associated with 1/1.0 SYE Geographic Information Spatial (GIS) Analyst III in the Department of Housing and Community Development who will develop and manage databases containing GIS information that will be used in designing creative approaches to neighborhood redevelopment and to attract private development and investment in support of revitalization activities.

\$0.5 million is provided for 5/5.0 SYE positions and operating expenses associated with the new Combined Community Inspector Program to more quickly and comprehensively respond to increased zoning and health-related complaints by creating a one-stop program and eliminating many of the cross-agency referrals that have occurred in the past since many complaints involve violations that cut across traditional agency lines of responsibility.

\$0.1 million and 1/1.0 SYE position is associated with the opening of CLEMYJONTRI Park, the County's first fully accessible playground serving disabled children in McLean, as well as Turner Farm in Great Falls to provide opportunities for equestrian activities.

\$0.9 million is included to implement policies developed by the multi-agency Walk-on Use committee to ensure access for scheduled use of County fields and prevent the damaging impact that results from unauthorized use.

\$5.0 million is included for athletic field maintenance. Of this amount, \$0.9 million is supported by Athletic Field Application Fees. This funding will support athletic field maintenance, synthetic turf field development and custodial support.

\$2.0 million is included for increased debt service (principle and interest payments) to support an increase of \$75.0 million per year for increased bond sale capacity. The FY 2007 County Transfer for Debt Service totals \$255.5 million, an increase of \$26.5 million or 11.6 percent over the FY 2006



*Revised Budget Plan* amount of \$229.0 million, and with other revenue and transfers in, supports \$261.97 million in Debt Service Requirements.



### **Practicing Environmental Stewardship**

\$21.9 million, or the approximate value of one penny from the County's Real Estate Tax, has been included for prioritized stormwater capital improvements to the County's stormwater system to protect public safety, preserve home values and support environmental mandates such as those aimed at protecting the Chesapeake Bay and the water quality of other local waterways.

\$0.2 million for 3/3.0 SYE positions and fringe benefits is associated with the enhanced Stormwater Management Program to manage over 100 new stormwater construction contracts.

\$0.2 million is for 2/2.0 SYE positions for the Developer Default Program to address situations where, as a result of economic conditions in the construction industry, some developers do not complete required public facilities such as walkways, storm drainage improvements, and roads to the required level for acceptance by the state. Due to the increasing number of developer projects going into default, these positions are necessary in order to bring projects to completion in a timely manner.

#### **BOARD PRIORITY:**



**Environmental Protection**



### **Connecting People and Places**

The total Fairfax County requirement (subsidy) for Washington Metropolitan Area Transit Authority (WMATA) Operating Expenses totals \$61.1 million, an increase of 7.3 percent over the *FY 2006 Revised Budget Plan* and supports Metrorail, Metrobus and MetroAccess (paratransit) service. However, it should be noted that the General Fund Transfer of \$19.5 million is being held flat at the *FY 2006 Revised Budget Plan* level.

\$6.6 million or an increase of 27.1 percent for County Transit Systems will enable the FAIRFAX CONNECTOR to maintain FY 2006 levels of service, as well as provide support for several new requirements. The total FY 2007 General Fund Transfer for Fund 100, County Transit Systems, is \$30.7 million. Of the increase, \$4.2 million supports a 4.5 percent contractual adjustment for the FAIRFAX CONNECTOR, significant costs associated with higher fuel prices, as well as the continued transition to ultra low sulfur diesel fuel. An additional \$1.1 million supports the new Reston Town Center Transit Center, SmarTrip fareboxes on CONNECTOR buses, emergency preparedness initiatives, full-year funding of the Virginia Railway Express (VRE) Burke Library shuttle, and the County's VRE subsidy increase due to higher fuel costs, insurance premiums and rail car replacement.

#### **BOARD PRIORITY:**



**Transportation  
Improvements**

\$0.3 million is included for 3/3.0 SYE Transportation Planner III positions in the Department of Transportation to address substantial workload-related issues including the Residential Traffic Administration Program, which is primarily associated with an increase in requests for the creation of Community Parking Districts; serve as Metrobus Service Planner for the County to develop and update five-year service plans, as well as coordinate ongoing operational issues with WMATA; and administer and provide oversight of FAIRFAX CONNECTOR contract service delivery operations.

\$16.8 million, which includes a General Fund transfer of \$16.0 million and interest income of \$0.8 million, is provided for initiatives that meet one or multiple priorities established by the Senior Information Technology Steering Committee.

\$2.4 million is included for Technology Infrastructure Services to support the operation and maintenance of the County computer center and server platforms 24 hours a day, seven days per week; the safeguarding of County software license obligations, data repositories and information assets; additional security measures for daily operations and incident investigation required to further protect the County from unauthorized entry into County systems, attacks, viruses, data destruction and other cyber threats; the maintenance of County data and radio communication networks; and the upgrade of desktop computers to remain consistent with advancements in technology required for service delivery.



### **Creating a Culture of Engagement**

\$8.2 million represents the General Fund transfer to support the first year of the next two-year cycle in the Consolidated Community Funding Pool (CCFP) and reflects a 10 percent increase over the FY 2006 General Fund transfer level to leverage nonprofit organizations' resources to meet community challenges.

\$11.1 million is provided through Fund 119, Contributory Fund, to various nonsectarian, nonprofit or quasi-governmental entities for the purpose of promoting the general health and welfare of the community.

\$2.4 million is included for five separate countywide senior initiatives including \$500,000 to support the Fairfax County CARE Fund, a project to address current shortages in low-income, assisted living facilities; \$400,000 to support a new long-term care non-profit that will integrate the various long-term care support programs in the community, build capacity and develop a single, coordinated long-term care system that will be easier for families to navigate when seeking the most effective care for their loved ones; \$300,000 in recurring funds to leverage additional resources and specifically fund late-stage Alzheimer's care in the community through a contractual arrangement with the Alzheimer's Family Day Center; \$915,000 for the Senior Plus Program in order to provide services for senior adults who require a higher level of assistance to participate in senior activities within existing Senior Centers; and \$300,000 to support the proposed Fairfax County Incentive Fund to widen the array of services available by providing grants to community organizations to stimulate the development of self-sustaining initiatives that will build additional long-term care options for seniors and adults with disabilities in underserved communities.



### **Maintaining Healthy Economies**

\$0.3 million is included, but is offset by revenue associated with fees charged to inmates, in order to place all inmates currently in the Work Release Program and Electronic Incarceration Program on an active Global Positioning System tracking system. These programs allow otherwise incarcerated individuals an opportunity to earn income to offset their housing and service costs, pay restitution, child support, and/or other financial assistance to their families.

\$0.5 million is for 4/4.0 SYE positions in the Department of Information Technology to manage the day-to-day tactical implementation, support, maintenance and customer service of the County's information technology environment and systems; manage the wireless services and infrastructure for voice and data applications; provide the needed support for the County to continue its role in regional interoperability initiatives, both in the Commonwealth and in the National Capital region; and continue to provide 24 x 7 secure, reliable e-government services to the residents and business partners of Fairfax County, as well as support new security initiatives.



## Exercising Corporate Stewardship

\$5.4 million is primarily for higher fuel prices as a result of market conditions, coupled with the County's ongoing conversion to ultra low sulfur diesel fuel. Of the total fuel increase, \$1.9 million is associated with FAIRFAX CONNECTOR needs.

\$0.8 million is associated with higher utility costs based on projections for the County's participation in the regional natural gas contract through the Washington Metropolitan Council of Governments, and the second year of a two-year contract for Fairfax County to purchase 5 percent of its energy for County government buildings from wind energy.

\$10.8 million is provided in order to continue the Pay for Performance program for over 8,000 non-public safety employees.

\$14.8 million or 8.2 percent over the *FY 2006 Revised Budget Plan* of \$180.30 million is included for Fringe Benefits, including Health Insurance, Dental Insurance, Social Security, Retirement and the transfer for the Retiree Health Benefits subsidy.

### BOARD PRIORITY:



**Revenue Diversification to  
Reduce the Burden on  
Homeowners**

In order to cover anticipated expenditures in FY 2007 and maintain essential reserves, an increase in the annual Refuse Collection fee from \$270 to \$315 is required for approximately 40,000 customers who receive this service.

The Availability Fee charged to new customers for initial access to the sewer system will increase from \$5,874 to \$6,138 for single-family homes based on current projections of capital requirements and is consistent with the analysis included in the Forecasted Financial Statement for July 1, 2005 through June 30, 2010. The Sewer Service Charge will increase from \$3.28 to \$3.50 per 1,000 gallons of water consumption in FY 2007. This equates to a 6.75 percent increase in rates and will result in an anticipated increase in the annual cost to the typical household of \$16.72.

## INVESTMENT OPPORTUNITIES

FY 2007 revenue growth allows for the Board's consideration of a number of reserves to address longer term County liabilities, as well as provide investment opportunities for infrastructure requirements. In order to remain within the Board's FY 2007 Budget Guidelines, these proposals are not funded in my recommended budget, but are provided for the Board's discussion and deliberation. Additionally, a portion of these funds could be used for further Real Estate Tax rate reductions. However, I strongly caution against the allocation of *all* available funding to reduce the tax rate. It is essential that we look at tax rate scenarios over a number of years rather than just one. As the economy begins to slow and housing values return to more stable, lower annual increases, I believe that the County's revenue growth will also slow. In addition, there are significant long-term needs that have not been addressed. The following totals \$134.94 million of revenue that is available after funding FY 2007 baseline requirements within the Board's Budget Guidelines.

**Reserve for GASB 45 - \$10.20 million:** Beginning in FY 2008, the County must implement Governmental Accounting Standards Board (GASB) Statement No. 45 for post-employment benefits including health care and other non-retirement benefits offered to retirees. This new standard addresses how local governments should account for and report their costs related to post-employment healthcare and other non-pension benefits, such as the County's retiree health benefit

subsidy. Currently, the County's subsidy, which is a monthly payment to help offset the cost of health insurance ranging from \$30 to \$220 to retirees depending on age and years of service, is funded on a pay-as-you-go basis. GASB 45 will require that the County accrue the cost of the retiree health subsidy and other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability in order to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the approach used for pension/retirement benefits.

A preliminary valuation as of January 1, 2005 calculated the County's actuarial accrued liability (excluding the Schools portion) at approximately \$191 million. This liability will be reportable on County financial statements. Failure to address this liability will jeopardize the County's credit and bond ratings.

The County's annual contribution to amortize this liability is estimated at \$10.2 million. I have identified this amount as part of a GASB 45 Reserve in order to begin to earmark annual funding for this purpose. As part of the *FY 2005 Carryover Review*, an amount of \$10 million was set aside in a reserve from excess revenues received from employer contributions. This amount, along with annual allocations of \$10.2 million will begin to meet the County's obligations to fund this liability. The available funding will be transferred to a new trust fund for which investment earnings will also help defray the liability.

**Reserve for Jennings Courtrooms Renovation and Elevators - \$15.55 million:** Expansion of the County's Courthouse, the Jennings Building, is underway and will add 316,000 square feet including additional courtrooms, judges' chambers, office and support space, and site improvements. The Courthouse expansion, funded with General Obligation Bonds approved in 1998 and 2002 referenda, is needed to keep pace with the growth in the County's population and its impact on caseloads. The existing facility is over 20 years old and is sized to meet the requirements of a population less than two-thirds the County's present size.

Due to the magnitude of this project and the complexity of adding space to a facility that must remain open and operational during the expansion, certain staging of facility requirements was necessary and as such, renovation work of existing spaces in the Jennings Building was not included in the scope of the original project. As expansion has taken place, staff has had the opportunity to examine and review additional issues within the Jennings Building. One major issue is the existing 25 courtrooms that are not being renovated or moved. These courtrooms require improved lighting, ductwork realignment, furnishings and technology upgrades to keep these Circuit and General District courtrooms operational. The cost to complete this work is \$550,000 per courtroom, for a total requirement of \$13.75 million. In addition, further review has also indicated a significant capital renewal issue associated with the seven elevators in the Jennings Building. These elevators have exceeded their useful life and breakdowns are more regular. In addition, only refurbished elevator parts are available for repair. Funding in the amount of \$1.8 million is necessary to replace the elevator equipment. I have therefore identified a reserve of \$15.55 million for the Board's consideration of these needs in my FY 2007 budget recommendation.

**Reserve for Construction Inflation Adjustments - \$12.00 million:** Construction activity in our region is continuing at a brisk pace. The level of activity in the construction market and associated cost escalation is resulting in bid prices that often exceed projected estimates. Since January 2004, the County's construction bids have been on average 13 percent higher than the pre-bid estimates. Much of this escalation can be contributed to increases in construction material costs and a strong local construction market, combined with skilled labor shortages. Material cost increases include 29 percent for structural steel, 32 percent for some wood products and up to 20 percent for cement products. More alarming is the fact that the local construction market has not yet felt the full force

of strained inventories and cost increases resulting from the reconstruction work in the nation's Gulf states.

The impact of these cost increases will create a significant challenge in FY 2006 and FY 2007. As of January 2006, the value of construction projects remaining to be bid in the fiscal year is estimated at \$135 million or 65 projects. Approximately 80 percent or \$110 million of this amount is for building projects, including: the Public Safety and Transportation Operations Center (PSTOC), Forensics Facility, Wolf Trap Fire Station, Burke VRE Parking Structure and the West Ox Bus Operations Center. Another \$90 million and approximately 70 construction projects are expected to be bid in FY 2007. This includes approximately \$45 million in building projects, some of which include the Burke Centre Library, Dolley Madison Library Expansion and Renovation, Thomas Jefferson Library Expansion and Renovation, and the Girls Probation House. The Department of Public Works and Environmental Services is closely monitoring construction market trends and continues to work aggressively during project design to manage project budgets in this extremely challenging environment. However, it is clear that additional funding may be necessary to meet the financial requirements associated with these facilities. As such, I have recommended a reserve of \$12.00 million or approximately 5 percent of projected FY 2006 and FY 2007 construction projects be established to offset increased materials and labor costs.

**Reserve for County Entryway Signage Enhancements - \$0.50 million:** In many jurisdictions, there are attractive signs located strategically on various roadways that welcome travelers to whichever city, county or town they are entering. Fairfax County does not currently have such signage. In order to establish a sense of place, welcome travelers to the County and highlight special sites of interest, funding of \$0.5 million is recommended for FY 2007 for the Fairfax County Convention and Visitors Corporation. This program, which would be phased in, has a recommended timetable for signage installation by June 2007. Such signage is of three types: monumental to indicate that travelers are entering the County; pathfinders to help them find specific sites of interest; and directional to help them find their way to various amenities such as airports. Providing such signs will enhance tourism, as well as establish Fairfax County as a separate vibrant community in visitors' and residents' minds.

**Reserve for Land Acquisition/Facility Opportunities - \$8.00 million:** Funds for land or facility acquisition will provide flexibility for the Board of Supervisors to take advantage of opportunities that may arise during the year. Without this reserve funding, the FY 2007 recommended budget includes only \$1.0 million in uncommitted funding for this purpose. At this level of funding and given the current market price of land, it is clear that the Board will be severely limited in its ability to capitalize on available properties. In the past, the Board has used its acquisition funding to purchase land and easements for parks and recreation, historic preservation or to address specific facility requirements.

**Reserve for Critical Board Projects - \$10.00 million:** Since the *FY 2004 Third Quarter Review*, the Board of Supervisors has allocated a portion of available reserves for critical Board infrastructure projects. These projects, which include streetlight, trail and sidewalk improvements, are generally funded with one-time balances, usually as part of regularly scheduled quarterly reviews of the budget. Selection of projects on a district basis are made based on staff recommendations and individual Board members' direction. Based on funding limitations, very little funding has been available as part of the annual budget process for these kinds of projects, which serve as important links in the County's transportation network. In fact, most annual funding available for these improvements addresses only emergency work and no expansion. I am subsequently recommending a reserve of \$10.0 million, for \$1.0 million per district, to address high priority improvement projects.

**Reserve for Safety Enhancements at Bus Shelters and Bus Stops - \$10.00 million:** In September 2005, the Board of Supervisors received the results of a Bus Stop Inventory and Safety Study. Accessible and pedestrian safe bus stop facilities are a key part of the County's overall transportation plan and the report provided the status of 3,941 stops in the County. The study found that the condition of the County's bus stops varied greatly throughout the region. Of the total, 190 stops were categorized as difficult to access and use. Another 465 stops are missing essential elements for accessibility and/or were located on busy roadways. Only 154 of the bus stops met all federal Americans with Disabilities Act (ADA) requirements. The study also identified an improvement program for the bus stops in most need of repair, resulting in a listing of 344 bus stops requiring improvements in the near-term. Cost estimates to improve these 344 priority bus stops range from \$10 million to \$15 million, so I am recommending a reserve of \$10.0 million to address the most critical needs.

**Reserve for Capital Renewal Projects - \$11.84 million** In order to better define the County's capital renewal needs, a comprehensive facilities condition assessment was conducted on 92 selected Fairfax County facilities (approximately 4.2 million square feet of space), representative of older facilities anticipated to have the most capital renewal requirements in the near future. The assessment included a complete visual inspection of roofs and all mechanical and electrical components for each facility. Maintenance and repair deficiencies were identified and funding requirements identified. The results indicate a multi-million dollar investment is needed over time. Such a backlog of requirements results from the deferral of maintenance and repair projects in recent years as a result of the need to fund other high priority requirements.

Specifically, the facility condition assessment indicated that an estimated \$80 million will be needed over the next ten years to meet expected repair and equipment replacement needs. Without significant reinvestment in building subsystems, older facilities will fall into a state of ever decreasing condition and functionality, and the maintenance and repair costs necessary to operate the facilities increase. Funding recommendations to be included in the *FY 2006 Third Quarter Review* and in the FY 2007 Advertised Budget Plan will address those projects that were ranked urgent/safety-related or related to critical systems in danger of possible failure. I am recommending this reserve of \$11.84 million to address the remaining FY 2007 prioritized projects.

It is important to note that the current industry standard for capital renewal investment is currently two percent of replacement value. Based on current average replacement values of \$150 per square foot, two percent would equate to capital renewal requirements of \$3.00 per square foot. Historically, budgeted capital renewal funds have fallen well short of this level. The FY 2007 funding level, without this reserve funding, provides for only \$0.30 in capital renewal spending per square foot.

**Reserve for Board Consideration - \$56.85 million:** As a result of market factors, and strong job growth, housing prices and thus assessments have continued to increase. The Board's commitment to taxpayer relief has resulted thus far in four consecutive years of tax rate cuts. My FY 2007 budget recommendation includes a fifth-year cut for a total reduction of 30 cents since FY 2003, saving the residential taxpayer \$3,295 from what they would have paid without the Board's action. And yet, the average homeowner will pay an estimated 12 percent more in FY 2007 than they did in FY 2006. Consequently, I have identified a reserve of \$56.85 million for the Board's consideration as part of the FY 2007 budget for additional tax relief or to fund other Board priorities.

## FINANCIAL FORECAST

The financial forecast for FY 2008 and FY 2009 maintains the FY 2007 Advertised Budget Plan Real Estate Tax rate of \$0.93 per \$100 of assessed value and limits increases in County expenditures to 5.0 percent and the transfer to the Schools at 6.0 percent. This forecast projects County total revenue growth of 5.8 percent in FY 2008 and 5.5 percent in FY 2009. These rates of growth are due to projected moderating increases in real estate property values and decelerating growth in other revenue categories.

This current forecast shows surpluses of \$59.6 million in FY 2008 and \$71.6 million in FY 2009 as a result of projected revenue increasing at a faster pace than County expenditures. The projected surpluses may be available for the Board of Supervisors' consideration of funding for additional service requirements or providing additional Real Estate Tax relief. Details of the FY 2008 Forecast can be found in the Financial Forecast section of this volume.

## CONCLUSION

At times, budget transmittal messages may seem pessimistic because they warn of potential challenges and stress the scarcity of resources. However, I would be remiss if I did not focus on the many achievements and contributions made by Fairfax County government over the past year, which provided direct benefits to County residents. While the following is by no means an exhaustive list of accomplishments, it highlights a range of accomplishments that support the Board of Supervisors' Priorities, as well as the County Vision Elements, and will have a lasting impact on the quality of life in Fairfax County for years to come:

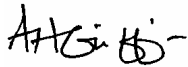
- Fairfax County was the first jurisdiction to reach, and then exceed the regional goal set by the Metropolitan Washington Council of Governments (COG) to have 20 percent of the eligible workforce teleworking one day a week or more by the end of 2005. Since the region set the teleworking goal, Fairfax County has consistently led other COG jurisdictions in this effort to take cars off the road, fight gridlock and improve air quality. Approximately 1,000 County employees telecommuting an average of one day per week saves 1.8 million commuting miles and keeps 720,000 pounds of pollutants from entering the air we breathe by taking cars off the road. It can also help provide continuity of operations by enabling employees to work from remote locations in the event of an emergency.
- A celebrated connection was made when the Cross County Trail was completed in December 2005. Winding through all nine County supervisor districts, the trail allows residents to travel on foot, bicycle or horseback from the Potomac in the north to the Occoquan in the south. This completed a ten-year effort to knit together several existing trails into one continuous route of asphalt, crushed gravel and dirt that enhances both recreational and transportation capacities.
- In June 2005, the County's Noman M. Cole Jr. Pollution Control Plant received the Gold Peak Performance Award from the National Association of Clean Water Agencies to recognize the facility's outstanding accomplishments in wastewater treatment and environmental protection, as well as improvement in the Chesapeake Bay water quality. The Gold Award pays special tribute to those municipal wastewater treatment facilities that achieve 100 percent compliance with all National Pollutant Discharge Elimination System permits during a calendar year.

- The three major bond rating agencies: Standard & Poor's, Fitch Investor Services, and Moody's Investor Services, each visited Fairfax County in early November 2005 to be briefed by the Chairman and County staff concerning the County's economic outlook, commercial real estate trends and other financial issues. In reaffirming the Triple-A rating, the bond rating agencies applauded Fairfax County for its wise and prudent fiscal management, and stressed that the County continues to be a leader in creditworthiness among the 22 counties, 20 cities and 6 states holding a Triple-A bond rating from each of the major rating agencies. Since 1978, Fairfax County has saved more than \$243.48 million in reduced interest costs as a result of the Triple-A rating when compared to the Bond Buyer index at the time of the sales. The County has also refunded approximately \$1.9 billion of general obligation debt since 1989 for cumulative net present value savings of approximately \$100 million. All together, Fairfax County has saved more than \$343.94 million through County bond and refunding sales as a result of the Triple-A rating.
- The U.S. Environmental Protection Agency (EPA) selected Fairfax County as the 2005 Landfill Methane Outreach Program's Partner of the Year Award, promoting the use of landfill gas as a renewable, green energy source. In 2005, the County replaced an existing propane-fired heating system in the maintenance shop at the I-95 Landfill Complex with landfill gas-fired infrared tube heaters. The building is a large space with overhead doors to accommodate the flow of equipment and vehicles entering and leaving the building, which created a significant loss of heat, resulting in an uncomfortable working environment and high energy costs. While the fuel cost savings are just over \$5,000 annually, the energy conservation and reduced carbon emissions are most noteworthy. Use of landfill gas will offset the equivalent of almost one million cubic feet of natural gas, eliminating approximately 17 tons of carbon emissions per year.
- Fairfax County was also recognized with various awards for its e-government initiatives. In June 2005, the County was cited as the Number 1 Digital County for jurisdictions with populations over 500,000, according to a survey by the National Association of Counties and the Center for Digital Government. The County's efforts were also recognized by the Commonwealth of Virginia with a 2005 Governor's Technology Award for its broad and innovative use of technology to deliver services to citizens.
- On February 25, 2005, the Fairfax County Council on Gang Prevention held its first summit to coordinate existing gang prevention and intervention efforts between County government, Schools and community groups. The talks were structured around a recommended gang prevention model created by the U.S. Department of Justice. Fairfax County was one of the first in the region to use this model.
- As part of the Board's commitment to preserving open space, an easement was officially recorded on December 28, 2005 to permanently preserve 41 acres as a public park in the heart of McLean. A four-year joint effort by the Fairfax County Park Authority and the Northern Virginia Conservation Trust culminated in the Salona Agreement, the below-market sale of an easement on the grounds of the early 19<sup>th</sup> century Salona property. With the new easement, 10 acres will be placed in active recreational use, while the remainder will be used for passive recreation such as trails. National, regional and County parkland now covers approximately 9.2 percent of Fairfax County and we will continue to work toward a goal of 10.0 percent.

- County staff responded unselfishly to provide a wide range of support to areas destroyed by Hurricanes Katrina and Rita last September. The Fire and Rescue Department's Virginia Task Force 1 sent 34 members to Mississippi for seven days to provide search and rescue assistance. Their contributions were followed up by additional County employees who were deployed to New Orleans as part of a Northern Virginia Regional Team that assisted in staffing their emergency operations center, as well as assisting in a variety of emergency management functions including command and control, planning, logistics, finance and operations. Back home, numerous staff provided a wide range of services to evacuees including housing, food stamps, childcare, immunizations and other assistance. The Department of Purchasing and Supply Management provided support to the Mississippi Emergency Management Agency, assisting it in locating sources for emergency needs immediately after the storm passed through the Gulf Coast. Similar support was provided to procurement professionals working in Louisiana's emergency operations center in Baton Rouge.
- Providing critical support and assistance to those in the Gulf region offered a priceless lesson for Fairfax County. While we were able to provide significant relief to those whose lives were turned upside down by the natural disasters, we ourselves benefited considerably through the experience we gained, which was far more valuable than any class or training exercise we could have conducted. No matter how realistic those drills can be, we could never have anticipated all the challenges that staff faced daily. I am extremely proud of the sacrifices County staff made to assist those suffering such devastation and I commend them all for representing Fairfax County in such a selfless and caring manner.

We face many opportunities and challenges in the coming years. However, I am confident that we will be able to meet them with the proper investment in resources that will further strengthen our community infrastructure. In closing, I want to acknowledge the Board's continuing leadership, support and strategic direction this past year, as well as the many outstanding efforts of County employees day in and day out. You have all set a standard for excellence in government that is unparalleled and I am proud to have the opportunity to serve the citizens of Fairfax County with you.

Respectfully submitted,



Anthony H. Griffin  
County Executive